



HERSHEY FOODS AT A GLANCE

**HERSHEY
CHOCOLATE
NORTH
AMERICA**

Major Products

Hershey Chocolate North America, the corporation's largest division, includes five business units, three of which form Hershey Chocolate U.S.A. (Chocolate Confectionery, Non-Chocolate Confectionery and Special Markets). The division also includes Hershey Canada and Hershey Mexico. In the United States, **Hershey Chocolate U.S.A.** produces such American favorites as *Hershey's* milk chocolate bars; *Hershey's* milk chocolate bars with almonds; *Hershey's Kisses*, *Hershey's Kisses With Almonds* and *Hershey's Hugs* chocolates; *Reese's* peanut butter cups; *Reese's NutRageous* bar; *Kit Kat* wafer bar; *Almond Joy* and *Mounds* candy bars; *York* peppermint patties and *Twizzlers* licorice candy.

Hershey Canada manufactures and markets many of the same brands in Canada as Hershey Chocolate U.S.A. does in the United States, using a slightly different formula for *Hershey's* milk chocolate to better satisfy Canadian tastes. Key Canadian brands include *Brown Cow* and *Strawberry Cow* milk modifiers, *Chipits* chocolate chips, *Oh Henry!* candy bars, *Reese peanut butter cups* candy, *Eat-More* candy, *Gosette* candy and *Pot of Gold* boxed chocolates.

Hershey Mexico manufactures and markets chocolate products under the *Hershey's* brand name in Mexico. It also competes in the grocery segment, primarily with *Hershey's* chocolate drink. In addition, some of Hershey's products manufactured in the United States are sold in Mexico.

Market Position

Hershey Chocolate U.S.A. continued to enhance its position as the leading U.S. confectionery company during 1995. While the division competes primarily in the chocolate category of the U.S. market, it has increased its emphasis on branded, non-chocolate confectionery items with its *Twizzlers* candies and *Amazin' Fruit* gummy candies and the acquisition of Henry Heide, Incorporated's *Jujyfruits* candies and *Wunderbeans* jellybeans.

**HERSHEY
GROCERY**

The division markets a full line of chocolate and chocolate-related baking products, ice cream toppings, milk modifiers and beverages, as well as peanut butter. Products include *Hershey's* cocoa, *Hershey's* syrup, *Reese's* peanut butter, *Hershey's* baking chocolate, *Hershey's* and *Reese's* baking chips, *Hershey's* chocolate drink, *Hershey's Chocolate Shoppe* toppings, *Hershey's Hot Cocoa Collection* hot cocoa mix and *Hershey's* chocolate milk mix.

Hershey's chocolate syrup and *Hershey's* cocoa continue to enjoy leadership positions in their respective categories. Additionally, new products developed internally and the licensing of trademarks to other food companies contributed significantly to growth for the division.

**HERSHEY
INTERNATIONAL**

The division exports *Hershey's* branded confectionery and grocery products to over 60 countries worldwide. It also manufactures and/or markets chocolate and confectionery products in Germany under the *Gubor* brand; in Italy under the *Sperlari*, *Dondi*, *Scaramellini* and other brands; and in Japan and Russia under the *Hershey's* brand. *Hershey's* branded products also are manufactured and sold in various other markets through licensing arrangements.

Hershey International competes in the non-chocolate confectionery category in Italy, the praline segment in Germany and operates chocolate and other confectionery businesses in Japan and Russia. Selected *Hershey's* products have been introduced into the Chinese market. The division also develops products designed specifically to meet the needs of international consumers, such as *Hershey's* extra creamy milk chocolate.

**HERSHEY
PASTA GROUP**

The division produces a broad array of dry pasta products under such regional brands as *American Beauty*, *Ideal by San Giorgio*, *Light 'n Fluffy*, *P&R*, *Mrs. Weiss*, *Ronzoni*, *San Giorgio* and *Skinner*.

Hershey Pasta Group continued to increase its number one share position in the U.S. retail dry pasta category. The division's regional approach to marketing has been instrumental in establishing and maintaining this leadership position.

Key Events



- U.S. retail confectionery sales through major trade channels grew at a rate of approximately seven percent while Hershey Chocolate U.S.A.'s retail sales growth for these channels slightly exceeded this rate.
- Sales growth from core brands and new products was driven entirely by volume increases.
- A wholesale price increase of approximately 11 percent on standard and king-size bars was initiated on December 4, 1995. This was the first price increase in nearly five years.
- On December 13, 1995, the corporation completed the acquisition of Henry Heide, Incorporated, a manufacturer of non-chocolate confectionery products including Jujyfruits candies and Wunderbeans jellybeans. This acquisition fits Hershey Chocolate North America's strategy to increase its presence in the non-chocolate confectionery category.
- Hershey Canada had higher sales and significantly higher earnings versus 1994 primarily as a result of changes in marketing strategies and efficiencies associated with the corporation's North American growth and integration initiatives.
- In early 1996, the corporation completed the sale of the *Life Savers* and *Breath Savers* hard candy, *Beech-Nut* cough drop and *Planters* nut businesses which no longer were consistent with Hershey's North American growth strategies.

- Beginning in 1995, Hershey Mexico began using chocolate manufactured in Hershey, Pa., in all chocolate items produced in Mexico.
- Hershey Mexico introduced several new items including *Hershey's ChocoCaramel* candy bar, *Hershey's NutRoll* candy bar, *Hershey's CrashBar* and *Hershey's Pops* chocolate on a stick.
- Important market share gains were realized in 1995 in the chocolate confectionery and flavored milk categories in Mexico.

- Hershey's syrup was particularly successful in 1995 as this brand made significant sales and market share gains due in part to the successful launch of *Hershey's Lite* syrup in May 1995 and the implementation of a "Virtually Fat Free" advertising campaign for the brand.
- In March 1995, Hershey entered into a licensing agreement permitting Good Humor-Breyers to manufacture, market and distribute *Reese's* peanut butter ice cream cups.
- New products introduced in 1995 included *Hershey's Reduced Fat Baking Chips*, *Amazin' Fruit* drink boxes, *Hershey's Great American Café* creamers, *Hershey's Mini Kisses* chocolates for baking and *Hershey's Chocolate Shoppe* sundae syrups.

- 1995 was a year of expansion for Hershey International, with the opening of representative offices in Shanghai and Moscow.
- Hershey International entered 17 new export markets in 1995, and product offerings outside the United States were expanded with the introduction of *Hershey's creamy caramel bar*, four flavors of *Hershey's cookies* and four *Amazin' Fruit* non-chocolate confectionery items.
- Restructuring activities led to greater profitability at Gubor and Sperlari.



Hershey Foods Corporation is the leading North American manufacturer of quality chocolate, confectionery and chocolate-related grocery products; is the leading North American producer of branded, dry pasta products, and has a variety of international operations.

Its mission is to be a focused food company in North America and selected international markets and a leader in every aspect of its business.

In North America, the corporation's goal is to enhance its number one positions in the confectionery and dry pasta categories, and to achieve the number one position in chocolate-related grocery products.

- The *Pasta Experts* category management process gained wide trade acceptance.
- The division is participating in the countervailing duty/anti-dumping trade cases against imported Italian and Turkish pasta. These cases have received favorable preliminary determinations from the International Trade Commission and Department of Commerce.
- Profits continued to be depressed due to subsidized/dumped pasta imports and continued high semolina costs.

AVENUES FOR GROWTH



KENNETH L. WOLFE Chairman of the Board and Chief Executive Officer (left)

JOSEPH P. VIVIANO President and Chief Operating Officer

Financial Highlights

	1995	1994	Percent Change
In thousands of dollars except per share amounts			
Net sales	\$3,690,667	\$3,606,271	+ 2
Income before restructuring activities	279,947 ^(a)	264,424 ^(b)	+ 6
Net income	281,919	184,219	+53
Income per share:			
Before restructuring activities	3.38 ^(a)	3.04 ^(b)	+11
Net income	3.40	2.12	+60

(a) Income for 1995 included a pre-tax restructuring charge of \$16.6 million related to a voluntary retirement program offset by a \$16.7 million reversal of 1994 accrued restructuring reserves. On an after-tax basis, the combined impact of restructuring activities increased net income by \$2.0 million or \$.02 per share.

(b) Income for 1994 included a pre-tax restructuring charge of \$106.1 million. On an after-tax basis, the restructuring charge reduced net income by \$80.2 million or \$.92 per share.

To Our Stockholders:

1995 was a challenging year for Hershey Foods Corporation. We faced a difficult competitive environment, higher commodity costs and an ever more demanding marketplace. Despite these challenges, the employees of Hershey Foods delivered another record year of sales and earnings. More importantly, we continued to lay the groundwork for stronger results in the years ahead.

While we were pleased with earnings in 1995, we continue to be concerned about our sales growth. As a result, many of our efforts during the year were aimed at generating higher levels of sales growth to ensure sustained growth in net income over the longer term.

During the year we concentrated on six specific avenues of growth:

- Further develop core brands through product improvements and additional marketing support;
- Expand our presence in the non-chocolate confectionery category;
- Develop new products in both existing and new markets in all lines of our business;
- Continue acquisition efforts for new business opportunities as well as in support of existing businesses;
- Improve efficiency and customer service by enhancing our information services and technology functions; and,
- Reengineer business capabilities throughout the corporation, especially in procurement, logistics, order fulfillment and customer service.

These priorities stand firmly on the groundwork laid over the past few years through our aggressive pursuit of customer satisfaction and

excellent productivity improvements across all areas of our business, especially in our manufacturing facilities. We are pleased to report that our restructuring program, announced in late 1994, is generating the expected savings and that at the end of 1995 we were a leaner organization concentrating efforts behind our most productive assets. Our new plants are extremely efficient and our older plants have benefited from a continuing modernization program.

Other achievements during 1995 included:

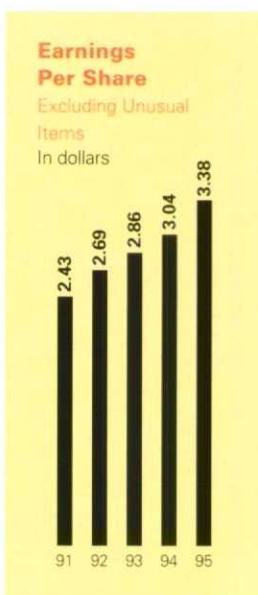
- Sales reached a record level despite difficult market conditions, including continued trade inventory reductions in the United States. Excluding the discontinuance of the refrigerated pudding business and the disposal of a European business, OZF Jamin, sales growth was five percent, attributable primarily to volume growth in our North American confectionery operations and our pasta business.
- Productivity goals were exceeded in 1995 as our employees responded to our Quality Through Excellence Program with innovative ideas, making us a more efficient and competitive company.
- Excluding the impact of restructuring activities recorded in both 1995 and 1994, income increased by six percent over 1994.
- Earnings per share, excluding restructuring, increased by 11 percent over 1994 as a result of growth in net income and the significantly lower number of weighted average shares outstanding. The lower number of shares was the result of a continuing open market Common Stock repurchasing plan, as well as a separately negotiated transaction with the Milton Hershey

School Trust to repurchase approximately nine million shares for \$500 million.

- The quarterly dividend rate increased by 10.8 percent to \$.36 per share on the Common Stock. This was the 21st consecutive annual increase in the dividend rate.
- Return on average net assets improved from 10.5 percent in 1994 to 11.1 percent in 1995, and return on average equity from 18.5 percent in 1994 to 22.2 percent in 1995, excluding restructuring activities.
- Cash flow showed marked improvement in 1995 as a result of improved working capital management, increased earnings and prudent capital spending.
- We increased the wholesale price of our standard bar line and king-size bars in the United States by approximately 11 percent on December 4, 1995. This was the first price increase for these items in nearly five years.

It was implemented because of increasing costs for raw materials and packaging, and the cumulative impact of inflation on other costs since the last price increase.

- Successful new product introductions included *Hershey's Cookies 'n' Creme* candy bar, *Hershey's Reduced Fat Baking Chips* and *Twizzlers Pull-n-Peel* candy summer flavors.
- Market share gains were achieved in the U.S. confectionery and pasta markets, increasing our leadership position in both categories.
- Our presence in the non-chocolate category was enhanced by continued strong sales of



Twizzlers candy products, the expansion of the gummy line with *Amazin' Fruit Super Fruits* gummy candy and the December 1995 acquisition of Henry Heide, Incorporated, maker of *Jujyfruits* candies and *Wunderbeans* jellybeans.

- Continued growth of our grocery business, enhanced by our strong brand names, was aided by the introduction of over 40 new items in 1995.
- The successful integration by Hershey

Chocolate North America of our confectionery businesses in the United States, Canada and Mexico has contributed to improved results in Canada and Mexico, although Mexico's results were hampered by the further devaluation of the peso. In addition, we divested the *Life Savers* and *Breath Savers* hard candy, *Beech-Nut* cough drop and *Planters* nut businesses in Canada because they no longer were consistent with our North American strategies for profitable growth.

- We focused our international efforts in developing confectionery markets where we can gain improved market share positions in the future. Russia, China and selected markets in South America are of particular interest to us. Additionally, we continued to grow our existing businesses in the more developed markets of Europe and the Far East.
- William H. Alexander, Managing Director of Snider Entrepreneurial Center, The Wharton School of the University of Pennsylvania, and Robert H. Campbell, Chairman of the Board,

Chief Executive Officer and President of Sun Company, Inc., were elected to the board of directors on April 24, 1995. Rod J. Pera retired from the board on April 24, 1995, after four years of service.

- Richard E. Bentz, formerly Vice President, Finance and Administration, Hershey Chocolate North America, was promoted to the newly created position of Vice President, Information Technology Integration, on October 1, 1995.

- Robert M. Reese, Vice President and General Counsel, was elected to the additional position of Corporate Secretary on November 7, 1995.

- David W. Tacka, formerly Vice President, Finance and Administration, Hershey Pasta Group, was promoted to Corporate Controller and Chief Accounting Officer on December 1, 1995.

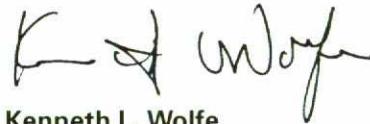
In early February 1996, we announced the national introduction of *Hershey's Sweet Escapes*, our first line of chocolate confectionery products specifically formulated to contain less fat. Also, the board of directors authorized the repurchase, from time to time, of up to \$200 million of our Common Stock. This will be funded by the strong cash flow of the corporation.

As we review our plans for the future, we need to examine the context in which we operate. Food manufacturers are confronted with rapidly changing demands from both consumers and customers for improved products, additional

services and improved efficiencies. We are driven by our desire to serve our markets better through our strong brand franchises, high levels of product quality and excellent service to our customers. At the same time, we must enhance our sales growth to be able to continue providing stockholders with an appropriate return on their investment.

We continue to face some very important challenges. Challenges faced, however, make us stronger in this fiercely competitive and rapidly changing environment. The work ahead will not be easy. It will continue to require the full commitment and energy of every Hershey employee — commitment to move faster, to become more flexible, to be open and receptive to change, and to continuously seek new knowledge and skills with curiosity and passion.

We are confident that Hershey employees are equipped to meet the challenges of the marketplace, maximize our growth opportunities and enhance the value of the corporation for all of our stockholders.



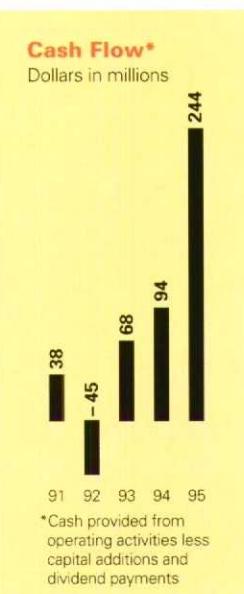
Kenneth L. Wolfe

Chairman of the Board and Chief Executive Officer



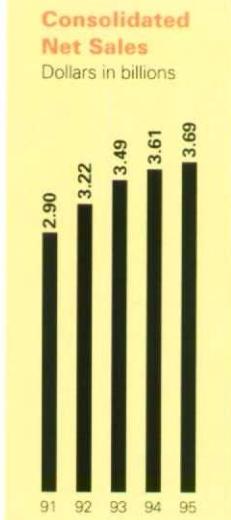
Joseph P. Viviano

President and Chief Operating Officer





Hershey has five of the top 10 chocolate brands in the United States. They are: Reese's peanut butter cups, Kit Kat wafer bar, Hershey's milk chocolate bar, Hershey's Kisses chocolates and Hershey's milk chocolate bar with almonds.



BUI

Growth of core brands is essential to Hershey's profit performance. Major brands such as Hershey's milk chocolate, Hershey's milk chocolate with almonds, Reese's peanut butter cups and Kit Kat wafer bar, with their marketing and production efficiencies, continue to provide sales and income growth. ■ Hershey has implemented changes to its sales and marketing programs to improve core brand growth strategies. One of the most important changes in Hershey's domestic confectionery business is a greater emphasis on programs which encourage customers (retailers) to sell Hershey's products, not merely to load their own warehouses with merchandise. These programs are supported with promotional themes and displays which

CORE



DING

increase awareness and result in additional retail sales. Hershey also has significantly increased its media advertising to support these core brand growth strategies. ■ Another important aspect of this strategy is to increase sales in all classes of trade including traditional grocery stores, mass merchandisers and drug chains as well as special markets. Vending, novelty, fund-raising and premium confectionery items, marketed by the Special Markets business unit, grew nicely in 1995. ■ Hershey Pasta Group markets eight brands utilizing a regional strategy. This strategy of providing consumers with a familiar brand and excellent product quality and value has carried Hershey to the leadership position in the U.S. retail dry pasta market.

Per Capita Consumption of Confectionery in the United States

Excluding chewing gum and bubble gum.

	Pounds per person
1984	18.9
1985	19.1
1986	18.4
1987	18.3
1988	19.2
1989	20.4
1990	20.1
1991	20.3
1992	21.5
1993	21.9
1994	22.3

Source: U.S. Department of Commerce

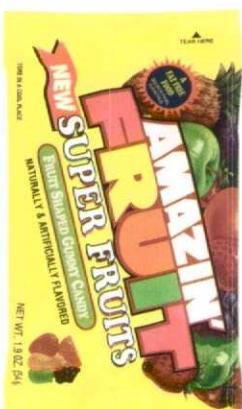
BRANDS





GROWTH IN NON-CHO

Amazin' Fruit Super Fruits gummy candy was introduced in January 1995. These large, fruit-shaped pieces deliver stronger fruit flavor than does traditional gummy candy.



Non-chocolate confectionery represents about one-third of the \$11 billion retail U.S. confectionery market and has been growing at a rate significantly faster than the rate of chocolate confectionery over the past five years. ■ This is an excellent growth category for Hershey which has domestic confectionery sales of approximately 90 percent chocolate and 10 percent non-chocolate. ■ Twizzlers products are the leading U.S. and Canadian branded licorice candies and have been one of the fastest growing brands within Hershey's non-chocolate confectionery business. Substantial investments have been made to increase production capacity for these products. Twizzlers Pull-n-Peel cherry flavor was successfully launched in mid-1994, and in 1995

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the brand was extended through the introduction of a variety of flavors including peach, grape and wild berry. ■ Hershey's non-chocolate confectionery product line-up was enhanced with the December 1995 acquisition of Henry Heide, Incorporated, maker of such familiar brands as Jujufruits candies and Wunderbeans jellybeans. While these brands are known nationally, their primary distribution is in the eastern half of the United States. Utilizing Hershey's sales, marketing and distribution strengths, these brands should expand significantly in the years ahead. ■ During 1996, Hershey plans to distribute a quality hard candy under the *Hershey's TasteTations* brand. It will be produced in four flavors — chocolate, butterscotch, caramel and peppermint.

CTIONERY

Per Capita Consumption of Non-Chocolate Confectionery in the United States

the United States
Excluding chewing gum
and bubble gum

Pounds per person

Year	Rate per person
1984	8.1
1985	8.2
1986	7.5
1987	7.5
1988	8.2
1989	8.5
1990	8.0
1991	9.0
1992	10.1
1993	10.2
1994	10.7

Source: U.S. Department of Commerce



NEW PR

In 1995, 1,288 new confectionery items were introduced into the U.S. market.



New products, a major strength of Hershey's confectionery operations, have contributed significantly to sales growth. With approximately 10 percent of 1995 sales attributable to new products introduced in the past five years, the corporation plans to continue to emphasize this avenue of growth. ■ Hershey has been very successful in introducing innovative new products. A critical success factor has been reduced cycle time, allowing a concept to be researched, designed, tested and introduced in a fraction of the time previously required. Equally important is the commitment of sales and marketing support for national introductions as well as the ability to gain broad distribution to generate maximum consumer trial. Hershey's goal is to excel in all aspects of new product introduction. ■ The major 1995 confectionery product introduction was *Hershey's Cookies 'n' Creme* candy bar, a blend of crunchy chocolate cookie bits in



PRODUCTS

white chocolate. Introduced in September, Hershey's Cookies 'n' Creme is available in standard size bars, large bars and as a part of the Hershey's Nuggets line. ■ Hershey's Nuggets chocolates, available in four flavors, were introduced nationally in August 1994 and also provided incremental sales during the first half of 1995. ■ Hershey's Reduced Fat Baking Chips, introduced in September 1995, are the first reduced-fat baking chips in the U.S. market. Made with salatrim, these baking chips provide half the available fat of traditional semi-sweet baking chips and 25 percent fewer calories. They can be used in place of semi-sweet chips in your favorite recipes. ■ In February 1996, the corporation announced plans to introduce nationally Hershey's Sweet Escapes — Hershey's first line of chocolate confectionery products specifically formulated to contain less fat.



SEAS

Hershey holds the leadership position in the Back-to-School/Halloween, Easter and Christmas candy seasons.

Seasonal marketing of confectionery products has been a highly effective avenue of growth for Hershey. Daily sales of confectionery products during holiday sales periods are almost double those of non-holiday periods. ■ Hershey pioneered the use of seasonal wrapping for conventional products by putting red and green foil on Hershey's Kisses chocolates for Christmas 1962. Since then, Hershey has led the confectionery industry to a greater focus on the effectiveness of seasonal marketing opportunities for confectionery products. This practice has expanded to most packaged Hershey's products and to seasons other than Christmas, creating a seasonal business which now accounts for a significant



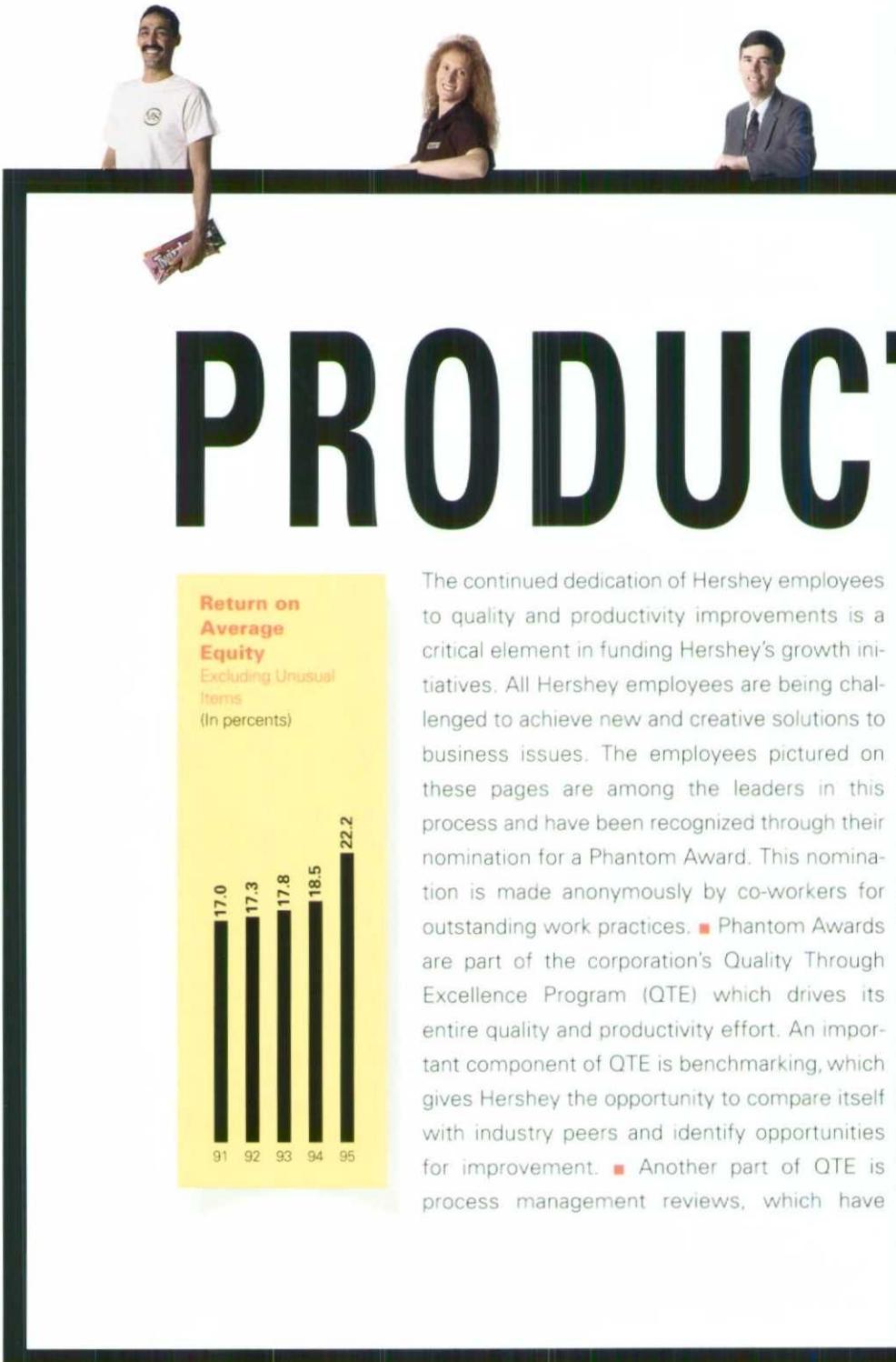
MAR

SEASONAL

portion of Hershey's confectionery sales. ■ This business also includes seasonal shapes such as Reese's peanut butter Christmas trees, pumpkins and Easter eggs; novelty items such as plastic canes filled with seasonally wrapped Hershey's Kisses chocolates; and a special Halloween version of Amazin' Fruit gummy products called "Gummy Bears and Scares!" ■ Creating and capitalizing on seasonal sales opportunities has helped Hershey achieve and maintain its number one position in the North American confectionery market. Each season has its own marketing nuances, and Hershey is well-positioned through its products and experience to take advantage of these opportunities for growth.

MARKETING





The continued dedication of Hershey employees to quality and productivity improvements is a critical element in funding Hershey's growth initiatives. All Hershey employees are being challenged to achieve new and creative solutions to business issues. The employees pictured on these pages are among the leaders in this process and have been recognized through their nomination for a Phantom Award. This nomination is made anonymously by co-workers for outstanding work practices. ■ Phantom Awards are part of the corporation's Quality Through Excellence Program (QTE) which drives its entire quality and productivity effort. An important component of QTE is benchmarking, which gives Hershey the opportunity to compare itself with industry peers and identify opportunities for improvement. ■ Another part of QTE is process management reviews, which have

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resulted in cost savings and streamlined operations in many functional areas. In addition, an emphasis on improving internal and external customer service has enhanced communications, improved rapport, enhanced the quality and value of employees' efforts, and strengthened the already strong Hershey team spirit and resolve. Management has demonstrated its support of these initiatives as well as raised the QTE challenge to a new level. And, employees are being recognized and rewarded for their efforts.

EFFORTS

Return on
Average
Invested
Capital
Excluding Unusual
Items
(In percents)



Hershey Foods Corporation	For the years ended December 31,	1995	1994	1993
CONSOLIDATED STATEMENTS OF INCOME				
In thousands of dollars except per share amounts				
	Net Sales	\$3,690,667	\$3,606,271	\$3,488,249
	Costs and Expenses:			
	Cost of sales	2,126,274	2,097,556	1,995,502
	Selling, marketing and administrative	1,053,758	1,034,115	1,035,519
	Total costs and expenses	3,180,032	3,131,671	3,031,021
	Restructuring Credit (Charge)	151	(106,105)	—
	Gain on Sale of Investment Interest	—	—	80,642
	Income before Interest, Income Taxes and Accounting Changes	510,786	368,495	537,870
	Interest expense, net	44,833	35,357	26,995
	Income before Income Taxes and Accounting Changes	465,953	333,138	510,875
	Provision for income taxes	184,034	148,919	213,642
	Income before Cumulative Effect of Accounting Changes	281,919	184,219	297,233
	Net cumulative effect of accounting changes	—	—	(103,908)
	Net Income	\$ 281,919	\$ 184,219	\$ 193,325
	Income Per Share:			
	Before accounting changes	\$ 3.40	\$ 2.12	\$ 3.31
	Net cumulative effect of accounting changes	—	—	(1.16)
	Net income	\$ 3.40	\$ 2.12	\$ 2.15
	Cash Dividends Paid Per Share:			
	Common Stock	\$ 1.370	\$ 1.250	\$ 1.140
	Class B Common Stock	1.240	1.135	1.035

The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's proxy statement or can be obtained separately through the Investor Relations contact listed on page 21.

Hershey Foods Corporation	December 31,	1995	1994
CONSOLIDATED			
BALANCE SHEETS	ASSETS		
In thousands of dollars			
	Current Assets:		
Cash and cash equivalents	\$ 32,346	\$ 26,738	
Accounts receivable — trade	326,024	331,670	
Inventories	397,570	445,702	
Deferred income taxes	84,785	105,948	
Prepaid expenses and other	81,598	38,608	
Total current assets	922,323	948,666	
Property, Plant and Equipment, Net	1,436,009	1,468,397	
Intangibles Resulting from Business Acquisitions	428,714	453,582	
Other Assets	43,577	20,336	
Total assets	<u>\$2,830,623</u>	<u>\$2,890,981</u>	
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current Liabilities:		
Accounts payable	\$ 127,067	\$ 115,428	
Accrued liabilities	300,549	265,283	
Accrued restructuring reserves	7,574	82,055	
Accrued income taxes	15,514	8,718	
Short-term debt	413,268	316,783	
Current portion of long-term debt	383	7,954	
Total current liabilities	864,355	796,221	
Long-term Debt	357,034	157,227	
Other Long-term Liabilities	333,814	303,056	
Deferred Income Taxes	192,461	193,377	
Total liabilities	<u>1,747,664</u>	<u>1,449,881</u>	
	Stockholders' Equity:		
Preferred Stock, shares issued: none in 1995 and 1994	—	—	
Common Stock, shares issued: 74,733,982 in 1995 and 74,679,357 in 1994	74,734	74,679	
Class B Common Stock, shares issued: 15,241,454 in 1995 and 15,242,979 in 1994	15,241	15,243	
Additional paid-in capital	47,732	49,880	
Cumulative foreign currency translation adjustments	(29,240)	(24,537)	
Unearned ESOP compensation	(35,128)	(38,321)	
Retained earnings	1,694,696	1,522,867	
Treasury — Common Stock shares, at cost: 12,709,553 in 1995 and 3,187,139 in 1994	(685,076)	(158,711)	
Total stockholders' equity	<u>1,082,959</u>	<u>1,441,100</u>	
Total liabilities and stockholders' equity	<u>\$2,830,623</u>	<u>\$2,890,981</u>	

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**CONSOLIDATED
STATEMENTS OF
CASH FLOWS**

In thousands of dollars

1995 1994 1993

Cash Flows Provided from (Used by) Operating Activities

Net income	\$281,919	\$ 184,219	\$ 193,325
Adjustments to reconcile net income to net cash provided from operations:			
Net cumulative effect of accounting changes	—	—	103,908
Depreciation and amortization	133,884	129,041	113,064
Deferred income taxes	26,380	(2,328)	11,047
Restructuring (credit) charge	(151)	106,105	—
Gain on sale of investment interest	—	—	(80,642)
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable — trade	1,666	(36,696)	(100,957)
Inventories	28,147	7,740	32,347
Accounts payable	14,767	(10,230)	(12,809)
Other assets and liabilities	(11,297)	(58,146)	111,358
Other, net	19,614	20,032	9,399
Net Cash Provided from Operating Activities	494,929	339,737	380,040

Cash Flows Provided from (Used by) Investing Activities

Capital additions	(140,626)	(138,711)	(211,621)
Business acquisitions	(12,500)	—	(164,787)
Sale of investment interest	—	—	259,718
Other, net	8,720	(4,492)	(717)

Net Cash (Used by) Investing Activities **(144,406)** (143,203) (117,407)**Cash Flows Provided from (Used by) Financing Activities**

Net increase (decrease) in short-term debt	103,530	(20,503)	67,485
Long-term borrowings	202,448	102	1,130
Repayment of long-term debt	(7,887)	(14,413)	(104,792)
Cash dividends paid	(110,090)	(106,961)	(100,499)
Exercise of stock options	15,106	3,494	2,574
Incentive plan transactions	(21,903)	(7,726)	(4,903)
Repurchase of Common Stock	(526,119)	(39,748)	(131,783)

Net Cash (Used by) Financing Activities **(344,915)** (185,755) (270,788)Increase (Decrease) in Cash and Cash Equivalents **5,608** 10,779 (8,155)Cash and Cash Equivalents as of January 1 **26,738** 15,959 24,114Cash and Cash Equivalents as of December 31 **\$ 32,346** \$ 26,738 \$ 15,959

Interest Paid	\$ 43,731	\$ 36,803	\$ 32,073
Income Taxes Paid	148,629	177,876	171,586

**INVESTOR
INFORMATION**
Stockholders

As of December 31, 1995, Hershey Foods Corporation had outstanding 62,024,429 shares of Common Stock and 15,241,454 shares of Class B Common Stock.

Year	Year-end Common Stock and Class B Common Stock Holders	Approximate Annual Composite Trading Volume
1995	38,480	30,498,000
1994	34,327	31,330,000
1993	32,859	29,338,000
1992	31,642	24,146,000
1991	31,029	27,975,000

Stock Market Data

Hershey Foods Corporation's Common Stock is listed and traded principally on the New York Stock Exchange under the ticker symbol "HSY." Class B Common Stock is not listed for trading. The stock tables of most financial publications list the corporation as "Hershey." Options on the corporation's Common Stock are traded on the American Stock Exchange.

Common Stock Profile

1995	Common Stock Price			Dividends Paid	
	High	Low	Close	Common	Class B
Calendar quarter					
1st Quarter	\$52³/₈	\$48	\$51¹/₈	.325	.295
2nd Quarter	55⁷/₈	50¹/₈	55¹/₄	.325	.295
3rd Quarter	64⁷/₈	53⁵/₈	64³/₈	.360	.325
4th Quarter	67⁷/₈	59	65	.360	.325

Dividend Policy

Dividends on Hershey Foods Corporation's Common Stock and Class B Common Stock are declared by the board of directors and normally are paid in the months of March, June, September and December.

The dividend to be paid on the Common Stock in March 1996 will be the 265th consecutive regular dividend paid by the corporation. The dividend rate has been increased annually for 21 consecutive years. Historically, the corporation has targeted approximately one-third of income from continuing operations as dividends to stockholders.

Dividend Reinvestment Service

The corporation offers an Automatic Dividend Reinvestment Service to registered holders of Hershey Foods Common Stock. This service provides a convenient

method of increasing share ownership without paying brokerage commissions or service fees. The corporation pays all commissions and fees associated with stock purchases made with reinvested dividends. However, under Internal Revenue Service regulations, any fees paid on behalf of stockholders are considered taxable income and will be included on their Form 1099-DIV Statement of Dividends and Distributions. Participants also may make voluntary cash payments of up to \$20,000 annually, for which there are only nominal brokerage commissions and service fees. Approximately one-third of Hershey Foods Corporation's registered stockholders are enrolled in this Automatic Dividend Reinvestment Service. For more information, contact:

Chemical Bank
c/o Chemical Mellon Shareholder Services, L.L.C.
P.O. Box 750
Pittsburgh, PA 15230
(800) 851-4216

Safekeeping of Stock Certificates

Your stock certificate is a valuable document and should be kept in a safe place such as a safe deposit box. Stock certificates should not be signed until sold or transferred to another person. For tax purposes, please keep a record of each certificate, including the original cost. This record should be kept in a place separate from the certificates.

Stockholder Inquiries

Questions relating to stockholder records, change of ownership, change of address and dividend payments should be sent to the corporation's Transfer Agent, Chemical Bank, listed on page 21.

Financial Information

Security analysts, investment managers and stockholders should direct financial information inquiries to the Investor Relations contact listed on page 21.

1995 Summary Annual Report

To control costs and to better meet our shareholders' needs, we have published a 1995 Summary Annual Report. The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's proxy statement or can be obtained separately through the Investor Relations contact listed on page 21.

**DIRECTORS
AND SENIOR
MANAGEMENT***

BOARD OF DIRECTORS

Kenneth L. Wolfe

Chairman of the Board and
Chief Executive Officer

William H. Alexander

Managing Director
Snider Entrepreneurial Center
The Wharton School of the
University of Pennsylvania
Philadelphia, Pa.

Howard O. Beaver, Jr.

Retired Chairman of the Board
Carpenter Technology Corporation
Reading, Pa.

Robert H. Campbell

Chairman of the Board, Chief
Executive Officer and President
Sun Company, Inc.
Philadelphia, Pa.

Thomas C. Graham

Chairman of the Board
AK Steel Corporation
Middletown, Ohio

Bonnie Guiton Hill

Dean, McIntire School of Commerce
University of Virginia
Charlottesville, Va.

John C. Jamison

Chairman
Mallardree Associates
Williamsburg, Va.

Sybil C. Mobley, Ph.D.

Dean, School of Business
and Industry
Florida Agricultural and
Mechanical University
Tallahassee, Fla.

Francine I. Neff

Vice President and Director
NETS Inc.
Albuquerque, N.M.

John M. Pietruski

Chairman of the Board
Texas Biotechnology Corp.
Houston, Texas

Vincent A. Sarni

Retired Chairman of the Board
and Chief Executive Officer
PPG Industries, Inc.
Pittsburgh, Pa.

Joseph P. Viviano

President and
Chief Operating Officer

Audit Committee

Howard O. Beaver, Jr., Chair
William H. Alexander
Bonnie Guiton Hill
John C. Jamison
Francine I. Neff

**Committee on Directors
and Corporate Governance**

John C. Jamison, Chair
Howard O. Beaver, Jr.
Sybil C. Mobley, Ph.D.
Vincent A. Sarni
Kenneth L. Wolfe

**Compensation and Executive
Organization Committee**

John M. Pietruski, Chair
Robert H. Campbell
Thomas C. Graham
Francine I. Neff
Vincent A. Sarni

Executive Committee

Kenneth L. Wolfe, Chair
Joseph P. Viviano

CORPORATE OFFICERS

Kenneth L. Wolfe
Chairman of the Board
and Chief Executive Officer

Joseph P. Viviano
President and
Chief Operating Officer

William F. Christ
Senior Vice President
and Chief Financial Officer

Richard E. Bentz
Vice President
Information Technology Integration

Charles L. Duncan, Ph.D.

Vice President
Research and Development

Thomas C. Fitzgerald

Vice President and Treasurer

Sharon A. Lambly

Vice President
Human Resources

Robert M. Reese

Vice President
General Counsel and Secretary

David W. Tacka

Corporate Controller and
Chief Accounting Officer

Barry L. Zoumas, Ph.D.

Vice President
Science and Technology

DIVISION EXECUTIVES

Jay F. Carr

President
Hershey International

Dennis N. Eshleman

General Manager
Hershey Grocery

Michael F. Pasquale

President
Hershey Chocolate
North America

C. Mickey Skinner

President
Hershey Pasta Group

*As of March 1, 1996



**STOCKHOLDER
INFORMATION**

Executive Offices

100 Crystal A Drive
P.O. Box 810
Hershey, PA 17033-0810
(717) 534-6799

Transfer Agent and Registrar

Chemical Mellon
Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 851-4216

Independent Public Accountants

Arthur Andersen LLP
1345 Avenue of the Americas
New York, NY 10105

Investor Relations Contact

James A. Edris, Director
Investor Relations
100 Crystal A Drive
P.O. Box 810
Hershey, PA 17033-0810
(717) 534-7556

Form 10-K

Form 10-K, filed annually in March with the Securities and Exchange Commission, is available without charge by contacting Investor Relations at the address and telephone number listed.

General Financial Information

(717) 534-7552
Internet: <http://www.hersheys.com>

Annual Meeting

The Annual Meeting of Stockholders will be held at 2:00 p.m. on Tuesday, April 30, 1996, at the Hershey Theatre, East Caracas Avenue, Hershey, Pa. A formal notice of this meeting, together with a proxy statement, will be mailed to stockholders on or about March 18, 1996.

Management Committee, from left to right:

C. Mickey Skinner President, Hershey Pasta Group

Michael F. Pasquale President, Hershey Chocolate North America

Richard E. Bentz Vice President, Information Technology Integration

Jay F. Carr President, Hershey International

Joseph P. Viviano President and Chief Operating Officer

William F. Christ Senior Vice President and Chief Financial Officer

Kenneth L. Wolfe Chairman and Chief Executive Officer

Robert M. Reese Vice President, General Counsel and Secretary

Dennis N. Eshleman General Manager, Hershey Grocery

